

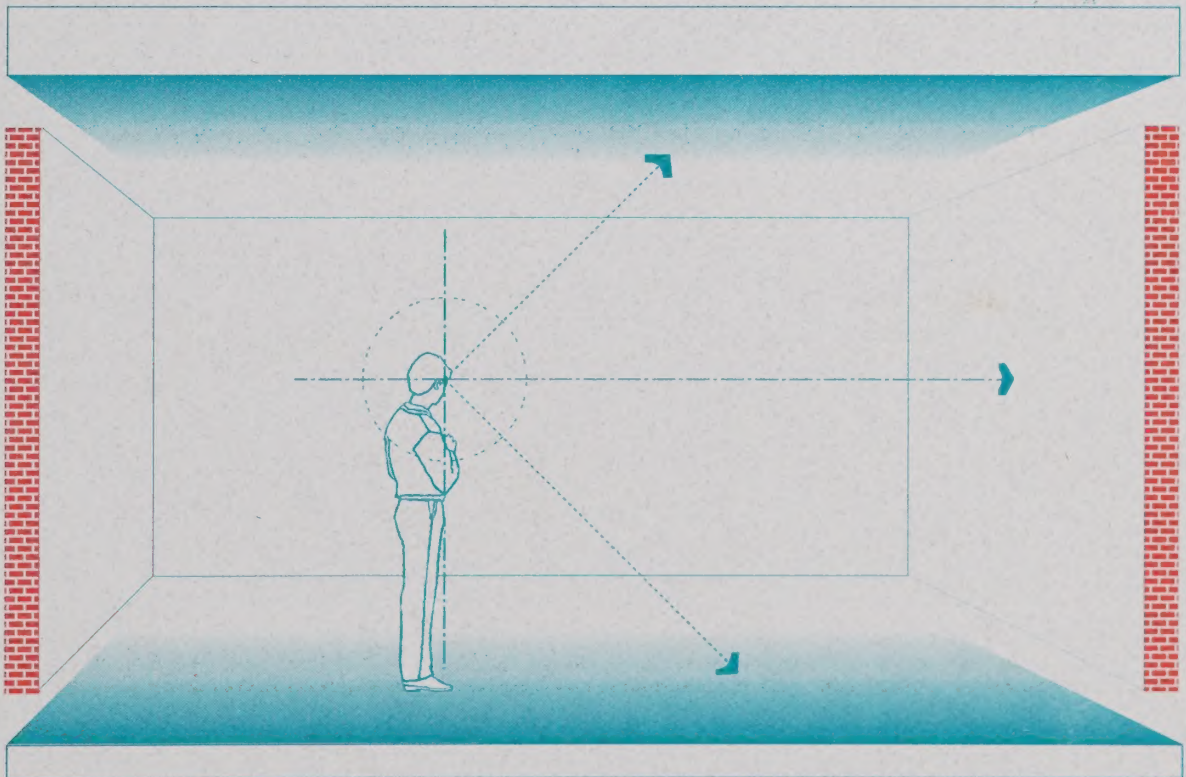
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ORANGE COUNTY

STRO

HOUSING



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UNIVERSITY OF CALIFORNIA

**DEVELOPMENT
GUIDE**

**COUNTY WIDE
SINGLE ROOM
OCCUPANCY
HOUSING
TASK FORCE**

**COUNTY OF ORANGE
CALIFORNIA**

City of Anaheim
City of Brea
City of Costa Mesa
City of Cypress
City of Dana Point
City of Fullerton
City of Garden Grove
City of Huntington Beach
City of La Habra

League of California Cities,
Orange County Division
Orange County
Transit District
Building Industry
Association of Orange
County
Building Industry
Association Coalition
for the Homeless
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The 1980's was a decade of dynamic growth and change for Orange County. The citizens of our County have greatly benefited from this progress, and as we enter the 1990's we look forward to continued progress.

As elected and public officials, we are charged with guiding this progress, and to seek new and innovative means of meeting the changing needs of the community. This investigation of Single Room Occupancy (SRO) housing is an example of this public charge. New techniques in construction, management and operations have revived this affordable housing product which has been absent from the County's housing stock for years.

This Guide has been developed by building, land use and administrative professionals to assist each Orange County city in the evaluation of SRO housing proposals. The Guide provides recommendations on various topics such as land use, building and fire codes, operations and financing for SRO housing. The goal was to develop a guide in such a way as to provide each locality the flexibility it needs to evaluate the type of SRO housing product which will blend into the community while meeting a critical housing need.

Our thanks to our fellow Task Force members who dedicated their time and effort in bringing this Guide to fruition.

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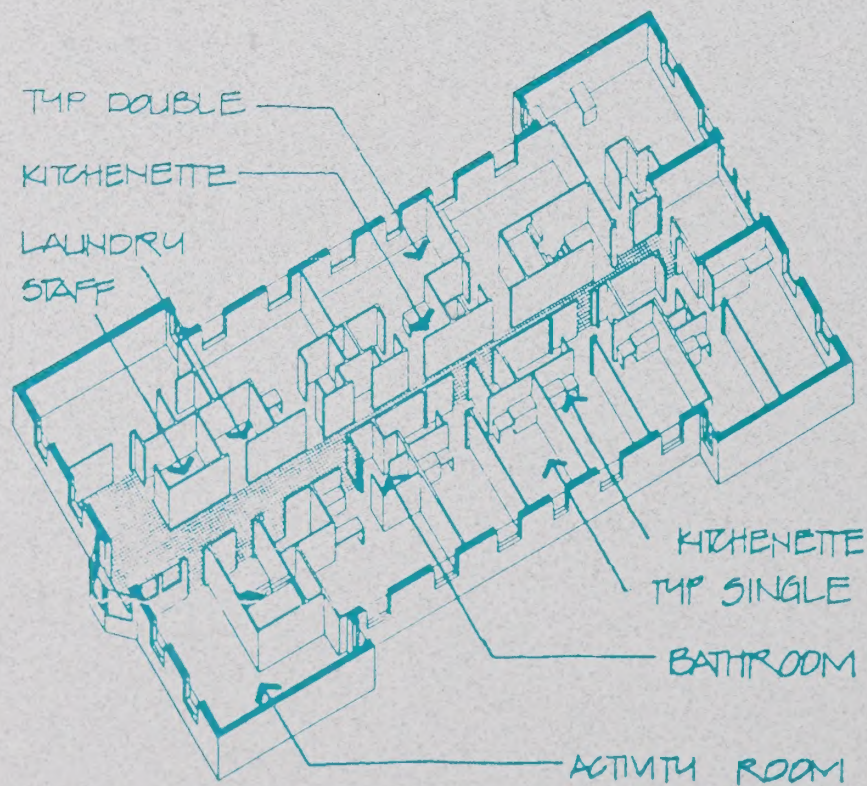
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What is Single Room Occupancy Housing?

Single Room Occupancy Housing (SRO) is a cluster of guest units within a residential hotel providing sleeping or living facilities in which sanitary facilities may be provided within the unit, and cooking facilities may be shared within the hotel.



The El Rey - Semi-Independent Apartments in Seattle, Washington

The Need for a New Affordable Housing Product

Due to a combination of factors, truly affordable housing opportunities for very low-income persons are practically nonexistent in Orange County. Some of the contributing factors include the following:

- There has been substantial reductions of government funding available for low-income housing development. For example, the 1988 Department of Housing and Urban Development (HUD) budget totaled \$7 billion versus the 1981 budget total of \$32 billion. At the state level, Housing and Community Development's (HCD) 1990-91 budget cut \$9 million from the 1989-90 level.
- A second significant factor is population growth trends. Orange County's population tripled between 1960 and 1984, and is expected to grow from the 1984 level of 2.1 million to 2.8 million by 2010.
- In the employment sector, over 1 million jobs existed in Orange County in 1984. By 2010, just under 2 million

jobs will exist, predominately in the service-industry sector (26% of jobs in Orange County). A significant portion of these jobs will be at low-wage scale, further exacerbating the need for affordable housing.

- While demand for affordable housing is projected to increase, the supply is not expected to keep pace. The average home sale price for Orange County, as reported in February 1990 in the *Los Angeles Times*, was estimated at \$249,999. In the rental market, average rents for units in the County range from \$500 per month for a

studio apartment, to \$1,300 per month for a five-bedroom unit, excluding deposits and monthly utilities.

Impacts of a Housing Crisis

The lack of housing affordable for low-income households creates severe negative impacts in the community.

- Overcrowding of the existing housing stock has become common in many areas of the County.
- Homelessness has continued to increase in the county. Estimates place this population at approximately 8,000 persons in Orange County.
- Motels and hotels are operating as poorly run SROs. Since these buildings were neither built nor designed for this type of use, the results are blighted conditions and adverse impacts on the surrounding community.
- Jobs/Housing imbalance contributes to the deterioration of the air quality due to increased traffic congestion.

The New SRO Concept

Single Room Occupancy is not a new concept in housing. For decades this type of housing provided affordable shelter to low-income individuals and wage earners settling in areas of economic boom. As the characteristics of these areas changed, so did the tenancy in these hotels. In time, these hotels became typified as transient hotels serving the down-and-out, or catering to illicit activities. Today, however, innovations in building, land use, operations and management have rekindled interest in the development of SROs. The new SRO concept maintains that new technology and innovation can make this type of housing more cost-effective to build, operate, maintain and secure than previous SRO products.

With respect to affordability, average rents projected for Orange County SROs will be below those for studio apartments.

SROs can provide affordable housing for a diverse population, including the elderly, mentally and physically disabled, public assistance recipients, low-wage service workers (often referred to as the "working

poor"), and the homeless. The latter group is served either directly via a public - private - nonprofit partnership, or by freeing up limited shelter beds as individuals seeking long-term affordable housing leave shelters.

The validity of the SRO concept has been demonstrated by the successful development of SROs nationwide. In Southern California, Los Angeles and San Diego provide several examples, while communities across the nation, including Atlanta, Berkeley, Phoenix, Sacramento, San Jose, Seattle and Portland have developed their own SRO program models.

Orange County SRO Task Force

In mid-1989, the City/County Coordinating Committee of the Orange County Division of the League of Cities formed the Homeless Subcommittee. The mission of the subcommittee was to investigate program options aimed at addressing Orange County's homeless issues. One program outlined for research was SRO housing. Concurrent to the County investigation, the City of Santa Ana had initiated a similar investigation into the merits of SROs. Charged with similar missions, Orange County and Santa Ana staff

combined their efforts and, with the guidance of County Supervisor Roger Stanton and Santa Ana Mayor Daniel Young, the County Wide SRO Task Force was formed.

The County Wide SRO Task Force is comprised of locally elected officials, plus key building industry and community organization representatives. Given the lack of low-income housing opportunities in the county, the SRO Task Force has set forth the following goals:

- To promote a better understanding of SROs and their potential role in Orange County.
- To oversee the development of a uniform guide for the development of SRO projects for the use of city staffs in Orange County.
- To promote the development of SROs throughout the county through a fair share approach.

Formed from within the County Wide Task Force is the SRO Working Group, a staff-level group of public- and private-sector representatives charged with developing the SRO Housing Development Guide. This Guide is the end product of the SRO Working Group's and the County Wide SRO Task Force's efforts.



1990 Gold Nugget Award Winner

*Trolley Court - 192 unit SRO San Diego, California
The Ontai Partnership, Architects - San Diego, CA*

Photo by: M. Slogen

Purpose of the SRO Housing Development Guide

The interest sparked in the public, private and nonprofit sectors by the innovations in SRO housing will no doubt come to Orange County. However, this type of land use is not without its impacts.

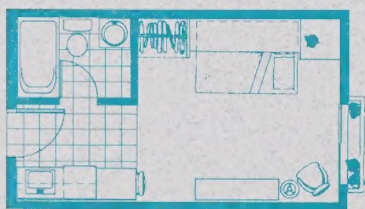
Therefore, it is the purpose of this SRO Housing Development Guide to provide a tool for communities in Orange County to utilize in evaluating potential SRO development proposals. The Guide will address key building,

land use, security, operations, management and financing matters related to SRO housing. It will serve both the public and private sectors in the development of SRO housing.

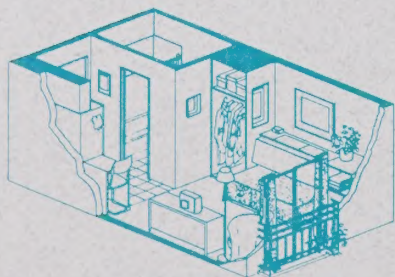
Definition of Single Room Occupancy Housing

In order to set a working framework for the SRO Housing Development Guide, a definition of single room- occupancy housing is necessary. For the purpose of this Guide, a SRO is defined as follows: Single Room Occupancy (SRO) housing is a cluster of guest units within a residential hotel providing sleeping or living facilities in which sanitary facilities may be provided within the unit, and cooking facilities may be shared within the hotel.

Since the minimum studio apartment size set by the Uniform Building Code is 220 net square feet, it is presumed that SRO units will typically be smaller than studio apartments and will not contain a complete kitchen in each unit.



Typical Room
Marvin Gardens Inn
Seattle, WA



How Do SROs Meet Affordable Housing Requirements?

Many Orange County jurisdictions are required by the federal and state government to address and provide housing for very low, low, and moderate income households. These requirements include meeting goals and objectives set forth in a community's Housing Assistance Plan (HAP), Housing Element, and in the Redevelopment Agency's housing requirements. SRO housing can provide a method of attaining the goals and requirements set forth in the aforementioned. Outlined below is the means by which these goals and requirements can be met by SRO housing:

1. HAP Goals: Provided newly constructed or rehabilitated SRO units are made available to low and/or very low income persons, and said persons do not pay more than 30 percent of their income for such housing, SRO units may be used to meet HAP three-year goals.

2. Housing Element: The State Department of Housing and Community Development has set the precedent that newly developed SRO units will count toward a locality's Housing Element goals.

3. Redevelopment: By law, redevelopment agencies are required to replace housing units removed from the community's housing stock resulting from agency activities. Redevelopment agencies, such as San Diego, have not only used SRO housing to meet this replacement requirement, but also to meet the requirement that a percentage of all housing units built within a redevelopment project area are to be affordable for very-low-income households.

Land Use and Design

Key issues with respect to SROs revolve around land use. Staff should fully analyze key land-use issues such as zoning, General Plan modifications, public transit access, proximity of retail uses, densities or height restrictions, parking, and setbacks. Design issues such as facade treatments, landscaping and common areas also must be addressed in the development standards of a SRO project.

Zoning Designation Options

Several options exist for local jurisdictions seeking to provide for SROs in their zoning codes.

1. Enact a zoning designation specifically for SROs. This Single Room Occupancy zone section of the code can contain standards applicable to proposed SRO developments which would be approved "by right." The SRO zone standards should address permitted floor area ratios/building height, mini-

mum and maximum unit size, parking requirements, and possibly, affordability of units. If an SRO zone designation is incorporated into the code, Planning staff must determine which General Plan designations (e.g., residential, commercial, institutional, etc.) are compatible with the SRO zone.

2. Create specialized housing zones or overlay districts which would include uses such as senior housing, housing to meet handicapped standards, and SROs. The same types of development standards outlined above in option (1) could be set forth for each distinct use allowed in the zone or overlay district.

3. Allow SRO uses only with a Conditional Use Permit (CUP), in certain zones. The Planning staff of each respective city will need to determine which zones (e.g., residential, commercial, institutional, industrial, etc.) and districts (e.g., R1, R2, etc.) will accommodate a SRO use subject to issuance of a CUP.

Staff also should outline the conditions under which the CUP will be granted. Conditions should be standardized or optional, as part of the project review process. The approval process for SROs with a CUP also should set forth the role of the zoning administrator and public hearing process requirements.

4. A fourth zoning option for staff consideration is allowing SROs "by-right" in certain zones. Staff should determine which zones would permit "by-right" SRO use and what development standards criteria would have to be met for a project to qualify.

Regardless of the land use option selected, a public hearing may be required to adopt pertinent code changes.

General Plan Considerations

A local jurisdiction preparing to facilitate SRO development should consider addressing SRO uses in two elements of the General Plan: the Land Use Element and the Housing Element.

1. The Land-Use Element should be modified to allow the typical densities necessary for SROs. The reasoning behind the SRO exception is twofold: SROs necessitate higher densities to remain affordable, and the Land-Use Element of the General Plan needs to indicate under what General Plan designations SRO use is permitted.

2. The Housing Element likewise should be reviewed to address SROs. The three topics to be incorporated in the Housing Element are: maintaining the affordability of SRO units, whether SRO units will be applied toward the Regional Housing Needs Assessment goals, and whether SRO units will be used to meet "special needs" housing for elderly, handicapped, or homeless persons.

Modification of the General Plan to specify density of SRO uses would require public hearings.

Density

City staff and developers experienced in developing SRO projects contend that conventional approaches to determining permitted densities are not applicable to SROs. Local jurisdictions analyzing appropriate densities for SRO projects should consider the SRO's purpose of providing affordable housing and that density plays a key role in determining unit affordability. When evaluating density, city staff should recognize the fact that SROs are **not** complete units but rather bedrooms. Furthermore, the unique management and operation requirements of SROs are cost intensive thus impacting the cash flow of the project. (These requirements are discussed in further detail in the Operations chapter.)

For example, SRO project densities in San Diego initially appear startlingly high with 500 to 700 units to the acre and corresponding intensities well in excess of 2.0 Floor Area Ratio (FAR). In Orange County, where FAR in industrial areas may be set lower than 0.5, and local permitted multifamily housing densities may be similarly limited in intensity, local jurisdictions may consider applying new density standards for SROs. Staff may consider utilizing multiple factors, such as setbacks, height limitations, common outdoor space and parking requirements, in regulating or determining SRO project densities. When reviewing a

proposed SRO project, staff might establish a density standard based in part on the prevailing density of the district in which the project is to be located.

Staff also may consider establishing a program providing for transfer of development rights. Whether SRO developers would be inclined to purchase development rights or to acquire property in order to transfer development rights to an SRO project is not known.

The use of subsidies or other incentives may offset the need for higher densities.

LA PENSIONE A RESIDENTIAL HOTEL



ESTABLISHED 1989

A San Diego Residential Hotel

Site Selection

Preferred locations for SROs are typically in or adjacent to urbanized areas and/or public transportation nodes or corridors. As a hotel, commercial areas may be most suitable for SROs. Manufacturing and residential areas are generally considered inappropriate. However, specific sites in such areas may be considered on a case-by-case basis.

The following factors should be evaluated in the site selection process:

1. Adjacent uses need to be carefully considered in the site selection process. The impacts of developing SRO projects adjacent to school or residential uses should be closely studied. Certain adjacent uses, such as adult bookstores and movie theaters, bars or liquor stores may be inappropriate and may deter prospective SRO residents.

2. SRO sites should be located close to services used by SRO residents, or within easy access of public transport. Residents should find grocery stores, retail services, and ideally some entertainment options such as movie theaters and restaurants within walking distance. Services provided by medical clinics, continuing education institutions, and certain government agencies should be accessible by public transportation.

3. Accessibility to public transportation is a major factor in the SRO site selection process. Guidelines that local jurisdictions may choose to adopt include locating SROs within 1/4 mile of a bus stop; evaluating whether such bus service provides a direct link to the types of employment districts associated with SRO residents; determining that bus service runs at least every 30 minutes during peak periods and once per hour during off-peak; and determining adequacy of service during all hours on weekdays, weekends, and holidays.

The purpose of such guidelines is to insure that SRO residents, most of whom will rely on public transit, have easy access to service that meets their needs. The Orange County Transit District (OCTD) Planning Department should be involved in project review, to assist local agencies in evaluating site suitability with regard to bus service. OCTD staff not only perform development plan reviews to determine potentially significant impacts on bus ridership, but will consider modifying bus service to accommodate projected ridership needs. Resources of interest available from OCTD include, "Consideration of Transit in Project Development" and "Orange County Activity Centers and Employment Projections."

Parking Requirements

Parking requirements for existing SROs are typically minimal because most residents do not own automobiles. Based on a survey of Atlanta, Phoenix, Portland, San Diego, and Seattle, the following findings have been made:

1. No parking is typically required for SROs located in high-density areas such as downtowns, and which are in proximity to retail services and/or public transportation lines.

2. In medium-density areas, the City of Atlanta requires one space for every four living units (0.25) plus one space per SRO employee. Phoenix generally requires one space per five units (0.2).

3. In low-density areas, Atlanta requires one space per two units (0.5) and one space per SRO employee, and Phoenix generally requires one space per five units (0.2).

4. In areas outside of the downtown, San Diego and Phoenix staff negotiate a CUP with developers to specify parking requirements. In San Diego, parking ratios of 0.25-0.5 spaces per unit have been imposed.

Alternatives to conventional parking requirements that must be addressed in the project design process include provision of secure bicycle racks and lockers.

The parking alternatives outlined above may lend themselves to modification if two people are allowed to occupy one SRO unit. Parking, therefore, may provide one basis for limiting the number of SRO units which may be occupied by two persons.

Architectural Guidelines and Urban Design

It is strongly recommended that any SRO project coordinate with and compliment the existing architectural style and standards of the surrounding land uses and local community. If a basic design or theme has become established in an area, this should be reflected in the design and scale of the SRO project. In order for a SRO development to fit into and become part of the community, the appearance of the facility must not set it aside from the adjoining development. Maintaining the architectural integrity of the neighborhood, whether it is new construction or the renovation of existing structures, could help the project assimilate into the community, assisting in its success.

There are many different materials which can be used (wood, metal, block) which, in conjunction with the design of the building, would not add significant cost to the project. There are examples of SRO projects in other cities which are

architecturally interesting and varied in design—SRO's do not have to be simple, unattractive block buildings just to keep down costs.

Signage and identification should be unobtrusive and be limited to hotel identification only. Being a commercial structure, some type of identification is necessary. However, it should be limited and similar to comparable residential projects.

A drop-off/pick-up area is recommended. This area also could be used by vans and/or service vehicles for loading/unloading adjacent to the facility.

Exterior Common Areas

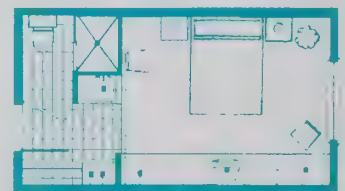
Exterior common areas and/or open courtyards should be used throughout the project. These areas double as light and ventilation walls to meet uniform building code requirements. These areas should be made as attractive as possible. If the common areas are made available for use by the occupants, the area should be designed to provide passive open space. A courtyard with tables and chairs, planters or small garden spaces would make the area functional and useful for the residents. These areas should also be low maintenance and provide the occupants with usable outdoor space. If the common areas are not available for use by the occupants, low maintenance,

drought tolerant materials should be used. Vegetation would make the area more attractive and cooler compared to all concrete.

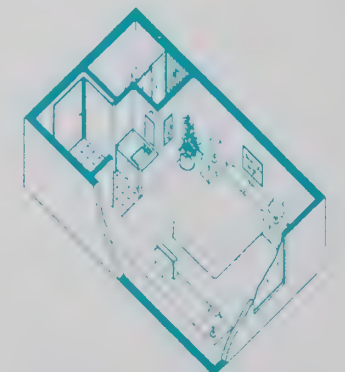
Exterior common areas should be highly visible, with no blind corners or alleyways. They should be brightly lit at night to insure security of individuals using the space.

Development Standards

Setbacks, height, landscaping and other development standards should comply with the zone district the SRO is in. This would contribute to the building blending in with the surrounding development and being compatible with the neighborhood and community.



SINK
REFRIGERATOR
MICROWAVE OVEN
DRAWERS
TELEVISION
DESK



Typical Accomodations
La Pensione

Operations Expense

As public agencies review development proposals for SRO housing, they will no doubt do so within the framework of their previous housing experience. Most professional administrative staffs within Orange County jurisdictions have not had prior experience with new SRO housing development. Although the concept of single room occupancy units is in no way new to Orange County, it is a product which has been almost totally cycled out of use in lieu of other types of housing products.

Affordable rental housing constructed in Orange County over the past 20 years has predominately consisted of attached multi-family apartment units. These apartments, although varied in exterior elevations and amenities, share some basic components within their operating budgets. Investors, lenders and developers have been able to develop economic performance models which have been used to compare the

value and performance of apartment projects. These economic performance indicators include (but are not limited to):

1. Operations expense in relation to project gross income.
2. Gross income in relation to market value.
3. Net Operating Income in relation to market value.
4. Gross Scheduled Income in relation to improved area.

As planning, building, community development professionals and elected officials review SRO develop-

ments it is critical that they understand the financial characteristics unique to SRO operations.

When projects are being reviewed, properly prepared proformas can be useful to evaluate the value of development concessions and subsidies. Such proformas can be helpful in understanding the extent to which development concessions and subsidies might be needed to produce a financially viable development. This information also will enable decision makers to maximize the community benefit from a SRO and minimize the development costs and impacts to be born by the community at large.

While apartments and SROs may be similar, the methods applied to determine effective cash flow of an apartment unit in relation to the square footage of improved living area can not be directly applied to a SRO. The operating budgets of SRO projects, will not fit the typical apartment industry performance standards.

Neither will they exactly fit the anticipated performance standards of a typical hotel operation. Thus, it is essential that proformas used to evaluate SRO development isolate those costs which are unique to the SRO thereby yielding a comparison to the building industry's performance standards. Nonetheless, SROs should be viewed as a separate type of housing product, and reviewed in relation to its own model of economic performance (See Appendix A - Sample Project Proforma).

The operations budget of a SRO will typically include expenses which may total up to twice the operation costs of a comparably sized apartment project. Listed below are a few of the components of a SRO project which most often are not included in the operations expense of an apartment project:

1. Routine maid service
2. Full project paid utilities
3. Enhanced staff support
 - Manager
 - Assistant Manager
 - Security Guard
 - Desk Clerk
4. Onsite, full time janitor

It is important that both the development industry and public agencies recognize that the potential gross earnings of

a SRO project may appear to be high based on a revenue per square foot of development measure. However, this may be deceiving in light of the high operations costs associated with quality management and operations of a SRO project. Thus, in order to ensure the continued level of service and the operational characteristics promised at the project approval stage it may be prudent to condition SRO projects.

The bottom line for any newly developed residential project is that it provide the developer sufficient return relative to risk. The development community must compare the viability of the investment in relation to other investment opportunities.

Management and Security

The requirement and enforcement of comprehensive management plans for SRO developers is critical to the success of SRO projects. These plans should outline management, operation and security policies and procedures. Each SRO developer should be required to submit, as a condition of approval of the project site plan, a proposed management plan for review and approval by the local jurisdiction. At the very least, the management plan should address all of the points set forth in this Management and Security chapter.

The plan should be easily accessible to subsequent owners, either through recordation, or as a part of the planning process, so that the requirements imposed upon the project are clear prior to the time of ownership transfer.

The plan also should be subject to annual review by local jurisdictions to insure that the project is in compliance. Any changes made to the approved plan should be

reviewed and approved by the jurisdiction. The local jurisdiction may wish to consider an annual fee assessment to the SRO project to cover the administrative expense of review. Any proposed changes to the operational or physical nature of the project should be subject to review and approval by the local jurisdiction.

Components of the Management Plan

Staffing, equal access to housing, internal security and vehicle security are key components of a SRO project's management plan.

Staffing - The following staffing issues should be set forth by local jurisdictions and addressed in each management plan.

1. SRO manager - A 24-hour, live-in manager should be required versus an on-site manager available 24 hours a day. The former has proven to be the most effective.

2. Support staff members - The number of cleaning, desk clerk, security, and maintenance personnel which will be provided should be delineated. Personnel is best based on the number of units, amenities, services provided and project size. Staffing level also should consider the number of hours per day needed for service. Consideration should be given to providing sufficient security staff to handle emergencies.

3. Staff classification - Management policies should set forth what is to be required of each staff position.

A management plan should identify the role of

each staff member in emergency situations involving fire, police, medical, disaster, etc., and set forth an interim plan for housing all residents while units are under repair, if necessary. A system for training staff in proper procedures for requesting police and fire service should be included in the management plan.

Equal and Fair Housing Opportunity - Affordable housing is a critical issue for all jurisdictions in Orange County. The issue is particularly troublesome to those residents who have such limited income that they are unable to afford even the most modestly priced rental housing. Since the demand for SRO housing has been great in each locality across the nation which has facilitated its development, it is likely that the SRO hotel concept in Orange County will be met with equal demand.

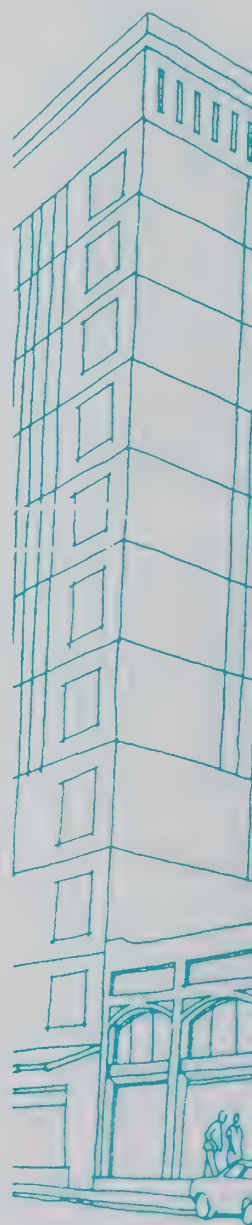
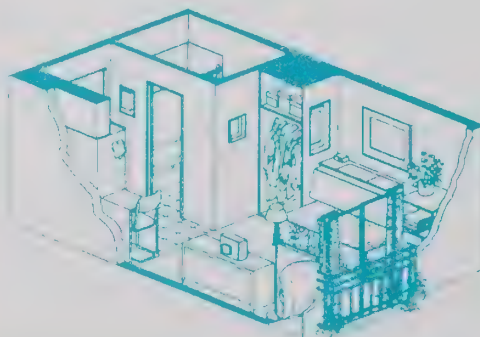
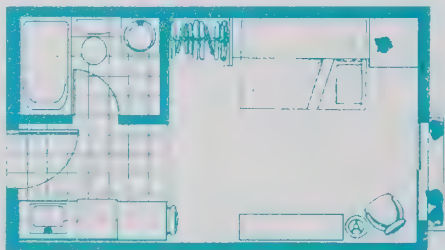
Given the anticipated high demand and current low supply of SRO units in Orange County, it is incumbent upon local jurisdictions to insure that the selection of SRO residents (and the service provided) is fair and in compliance with state and federal fair housing laws. To this end, local jurisdictions may wish to consider delineation of the following issues in their management policies and requiring each management plan to address these topics where appropriate.

1. Tenant selection - What policy will be mandated, if any, by the local government jurisdiction which assures fair and equal access to housing as mandated by fair housing laws? What policy, if any, will be mandated which assures that residents referred by government and nonprofit agencies will be accepted without bias? What process, if any, will be mandated to assure fair and proper eviction of problem residents, and what appeal, if any, will be granted evicted residents?

The management plans should address any such policies adopted by the local jurisdiction.

2. Tenant rights - Should the local jurisdiction facilitate or mandate the establishment of a tenant committee within each project to handle SRO grievances and operational complaints by tenants?

3. Residency rules - Delineation of a procedure should be required which assures that each tenant receives a copy of rules and regulations



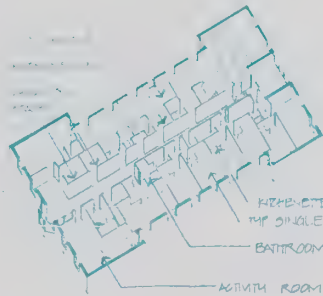
regarding operation of, and residency in, the SRO. Each management plan should specify how these items will be handled.

4. Rent rates - What policy, if any, should be imposed by the local jurisdiction regarding establishment of initial rent levels, collection of rent, and increases in rent? Regardless of whether the local jurisdiction mandates rental policies, each management

plan should specify rent levels, collection procedures and increase mechanisms.

5. Security payments - What policy and procedure will be established for setting, receiving and returning security deposits.

*The El Rey Residential Facility
Seattle, WA
ARC Architects*



Internal Security - The local jurisdiction's management policies for SRO hotels should address security issues, emphasizing residents' safety without unreasonably imposing on residents' activities. As is the case with any other residential dwelling unit, the perception that SRO living units are secure and safe will be important to attracting and keeping quality residents. Many successful SRO projects share common security features built into their design and operations.

The following design features appear to have insured a secure and safe environment for residents:

1. Access for both ingress and egress to the facility must be limited, preferably with a single entry located adjacent to the manager's desk. The purpose is to insure that only appropriate individuals are granted access to the building at all times.

2. Guests should be required to complete sign-in and sign-out sheets at the front desk. Each management plan should specify rules as to the number of guests per resident, the time that guests may arrive and must depart (e.g., no visitors past 10 p.m. or before 6:30 a.m.), and procedure for overnight guests.



3. Strategic placement of the front desk must be situated to allow monitoring of the front lobby entrance, the street in front of the project, and video camera monitors. The front desk should be attended 24 hours a day.

4. Video cameras must be strategically placed in all public areas including hallways, elevator entrances, communal bathing areas, lobby area, garage area, laundry area, profit centers, and common areas. Monitoring by the front desk is critical to internal security.

Security Hardware - New SRO projects have included a wide variety of hardware to insure optimal security for residents and facilities. Listed below are some of the types of major security hardware commonly used in existing SRO projects.

1. Unit doors - Dead bolt locks or key cards are utilized by many newer SROs, rather than a key for individual room access. While more expensive, key cards offer the advantage of preventing previous residents from gaining access to the units after their tenancy has been terminated. Additionally, replacement cards are less expensive to supply than are new keys.

2. Communal bathing area doors - Dead bolt locks, with security access by management master key only in case of emergency, are preferred. Provision of an emergency call button or pull cord in the communal bathing areas in case a tenant slips or is injured in the bathing area may be warranted.

3. Front entry doors - The front entry door should allow for adequate visual access into the lobby area by police from their patrol cars.

4. Windows - Each room and all common areas should have operable windows, except for first floor windows which may be fixed for security purposes. In turn, the SRO project should include heating and air conditioning systems to insure adequate air flow and temperature control.

Vehicle Security - The management policies drafted by local jurisdictions should require each SRO's management plan to specify a vehicle security system. Each plan should note whether parking will be open or subterranean, whether long-term secured parking will be provided for residents, and what parking facilities will be provided for guests. Where secured parking is provided for residents, access should be coded with the same code as room key cards. Security cameras should be provided in subterranean or otherwise secured parking areas.

The management plan should indicate what common storage areas will be provided and where large items such as bicycles will be stored and secured.

Building and Fire Codes

The purpose of this chapter is to identify provisions of the Building and Fire codes which may be applicable to the construction, use and design of single room occupancy housing. This discussion also will provide direction for the application of alternative methods and materials which may be considered as exceptions granted for the purpose of SRO housing.

Authority

The Health and Safety Code of the State of California provides for the adoption of the latest edition of the Uniform Building Code (UBC), as promulgated by the International Conference of Building Officials (ICBO), as the model for the State Building Standards Code. The State Building Standards Commission further amends this model code through the State's adoption process and specifies which State agency has the authority for the described use. A local jurisdiction must adhere to the State's edition of the

State Building code but may make local amendments by finding justification for reasons of geography, topography and climatology. These local amendments must be approved by the applicable State agency.

A local jurisdiction is empowered to enforce the provisions of the State Building Code, including the local amendments, provided a local building official does not make a discretionary decision which is in conflict with the State Law (Health and Safety).

For the purpose of this Guide, the applicable codes are:

1. 1988 State Building Code
2. 1988 State Plumbing Code
3. 1988 State Mechanical Code
4. 1988 State Electrical Code
5. 1988 State Housing Code

The State agency having authority for this use is the Department of Housing and Community Development (HCD).

There will be cases in this chapter where it is recommended a locality request an interpretation from HCD on the uniform application of a suggested alternative equivalent.

Definitions

The following definitions are provided for reference. Application of these definitions will become evident in various areas of this chapter.

SRO Unit - A SRO unit is a guest room within a residential hotel providing sleeping or living facilities for one or two persons where complete kitchen and/or bathroom facilities may be shared within a hotel.

Complete Bathroom -

A complete bathroom is a room with a minimum of 30 square feet containing all of the following: a toilet, sink and shower or tub. A **partial** bathroom is missing at least one of the above components.

Complete Kitchen -

A complete kitchen contains all of the following: a sink, refrigerator and stove, range top or oven. A **partial** kitchen is missing at least one of the above components.

Common Indoor Space -

Common indoor space means all usable interior common areas not used for circulation or service facilities. Common indoor space includes lobby, recreation room or reading room.

Development Standards

The development standards outlined below are provided as recommendations. In all cases, the development standard utilized by each locality must be in full compliance with state and local laws.

Recommended Unit Requirements

Unit Size -

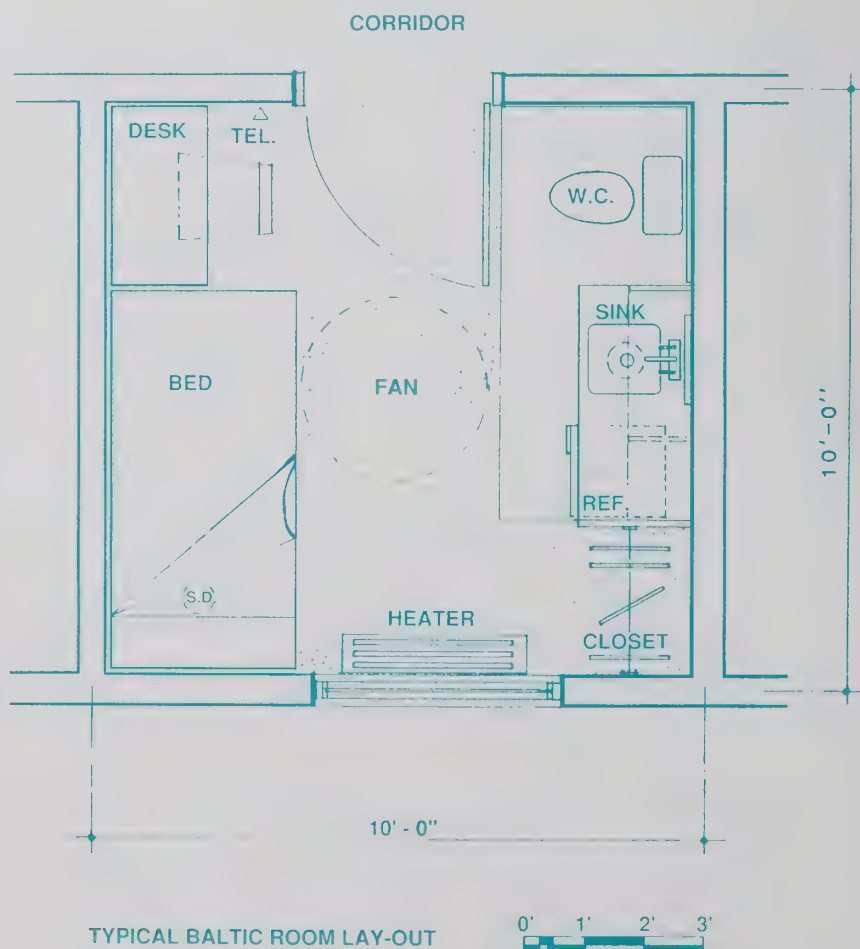
It is recommended that each SRO-unit must have at least 100 square feet of net floor space in the sleeping area including built-in cabinets, sinks, and closets, but excluding toilet compartments.

Maximum Occupancy -

Maximum occupancy should be limited to two persons. It is recommended that this level of occupancy only be allowed in units in excess of 120 square feet of net floor space in the sleeping area including built-in cabinets, sinks, and closets, but excluding toilet compartments.

Kitchen Facilities -

A full kitchen is not required in every SRO unit. However, a kitchen sink serviced with hot and cold water with garbage disposal and counter top is recommended in every unit. The counter top should be a minimum of 12 inches deep by 24 inches wide. Based on the number of



TYPICAL BALTIC ROOM LAY-OUT

project units and resident characteristics, common full kitchen facilities may be provided within the project.

Bathroom Facilities -

A complete bathroom may not be required in every SRO unit. However, it is recommended that each unit be provided with a private water closet in a separate enclosed compartment with a minimum of 15 square feet separated by a door. Common area bathroom facilities based on project size and resident characteristics may be provided in the project. Walls and floors for all bathrooms must have a non-permeable surface.

Refrigerator/Microwave

Oven - It is recommended that a refrigerator and microwave oven be provided in, or available for residents, for each SRO unit. Work area electrical circuit outlets for these appliances must be provided in proximity to the sink and counter top as provided by the National Electrical Code.

Telephone/Cable Television

- It is recommended that each SRO unit be pre-wired for both telephone and cable television service.

Closets - A closet and designated storage space must be provided in every unit.

Heating - It is required that every SRO unit have heating facilities capable of maintaining a room temperature of 70 degrees Fahrenheit at a point 3 feet above the floor in all habitable rooms, and that such be in full compliance with State Energy Conservation law.

Recommended Project Requirements Showers/Bathtubs -

For SRO units that are not provided with a private shower and/or bathtub, shared shower and/or bathtubs are required. Shared shower/bathtubs must be provided at a ratio of at least one for every eight units, or a fraction thereof, which lack a complete private shower/bathtub. Each shower/bathtub must be on the same floor as the units it is intended to serve and must be directly accessible from a common area or hallway.

It is recommended that each shared shower/bathtub facility be provided with an interior lockable door.

Handicapped Access -

Each SRO project must comply with State and/or local laws pertinent to handicap access. It is recommended that at least one handicapped-accessible unit be provided for every 20 residential units.

Janitor Closet -

It is recommended that at least one janitorial closet be required on each floor of a SRO project.

Laundry Facilities - It is recommended that laundry facilities be provided in a separate room. The number of washers and dryers provided will depend on the number of project units. At least one washer and one dryer should be provided for the project. Washers and dryers may be coin operated.

Common Indoor Space -

It is recommended that each SRO project provide adequate common indoor space. In no case should this space be less than 200 square feet in any project. The following standards are provided as a point of reference only.

4.5 sq. ft. per
100/159 sq. ft. unit

4.0 sq. ft. per
160/169 sq. ft. unit

3.5 sq. ft. per
170/179 sq. ft. unit

3.0 sq. ft. per
180 and up sq. ft. unit

Manager's Unit -

It is recommended that a complete manager's dwelling unit be provided and designed into each SRO project.

Front Desk Design -

It is recommended that each SRO project have a front desk with full view of the entry area, staffed 24 hours a day, seven days a week, and an operational outdoor entry intercom system with intercoms in each unit and the manager's apartment.

Supply Room -

It is recommended that a supply room be provided in each SRO project and that such room be adjacent to the manager's unit.

Fire Code Requirements / Recommendations

All SRO buildings should be equipped with fully automatic fire sprinkler systems, designed and installed per N.F.P.A. Standard No. 13. As a trade-off for this requirement, SRO buildings (up to and including four stories in height) may be given consideration by the Building Official to allow alternative equivalents where fire sprinkler systems are required pursuant to this section.

Determination of the use of alternative equivalents for the construction of SRO housing (or the retrofit of existing buildings) should be done on a case-by-case basis by the Building Official. **All alternative equivalents must be consistent and in compliance with local and state laws.**

Financing

The purpose of this section is to provide an overview of the cost components and considerations involved in the development of SRO housing projects, whether the development involves new construction, acquisition and rehabilitation, or conversion/rehabilitation. The following discussion identifies the types of prospective developers, lenders, and resources currently available to support SRO projects; examines the rationale for public financial support of certain SRO projects; and highlights areas of direct and indirect public sector contributions to assist such projects.

As with most affordable housing programs, a county-wide approach to SRO projects must recognize the likelihood that the financial structuring of individual developments will depend on the specific resources and techniques employed by a particular jurisdiction in facilitating the provision of this type of affordable housing. As policies evolve, financial resources expand or

contract, lending practices change, and legislative and regulatory issues are addressed, SRO projects will typically be developed and financed on a case-by-case basis which responds to the immediate and particular issues and objectives of the jurisdiction where a proposed project is located.

The following are the major categories included in a typical SRO development budget (See Appendix A - Sample Project Proforma):

- Land acquisition
- On-site and off-site improvements

- Construction
 - Direct (building materials, labor, etc.)
 - Indirect (permit processing fees, builder's overhead, etc.)
- Mortgage/debt service
- Operation, management and reserves

The purpose of identifying these various components is to highlight the front-end and ongoing costs associated with a SRO project. Various cost reduction and financing techniques can and should be considered in light of providing the most cost-effective contributions to SRO projects in general, and to individual projects where certain public purposes are served.

Prospective Developers

Prospective developers of SRO projects include for-profit and nonprofit developers and a variety of public/private/nonprofit partnership opportunities.

For-profit developers -

To a large extent, Orange County jurisdictions will rely on private, for-profit developers to produce SRO projects. This group also includes owners of existing hotels, motels or other buildings suitable for rehabilitation and conversion to SROs. In addition to being knowledgeable and experienced professionals, local developers bring an important advantage to the SRO development process through their established working relationships with lending institutions. Local developers can provide the education and encouragement lenders may need before they will offer financing for SRO projects.

Nonprofit developers -

Orange County has few, if any, established nonprofits which are oriented toward SRO projects. However, there are several experienced and newly formed nonprofits within Southern California which may be interested in sponsoring local SRO projects.

Qualified nonprofit developers provide certain advantages which can contribute to reduced project costs. For example, nonprofit owners of affordable SRO housing are eligible for certain property tax exemptions which reduce project operating expenses and facilitate lower rents. In addition, such developers are required and motivated to "recycle" any project profits (i.e., earnings in excess of all expenses and debt service) into their existing or new housing projects. Furthermore, nonprofit developers may be able to access certain sources of financial assistance (typically conditioned upon the provision of long-term affordability) not otherwise available to for-profit development entities.

Two of the limitations which characterize most nonprofit housing corporations are a lack of pre-development capital with which to initiate projects, and a risk averse approach in evaluat-

ing prospective projects. These factors, along with a nonprofit's legal commitment to operate projects with at least some or all affordable units, usually make a nonprofit highly dependent on substantial amounts of financial assistance (in the form of grants and low-interest or deferred payment loans) from federal, state and/or local agencies.

In order to realize the advantages of for-profit and nonprofit development opportunities, it may be appropriate for local jurisdictions to encourage the formation of partnerships to sponsor SRO projects. Depending on a jurisdiction's objectives, it is also possible for a public agency to play a partnership role in the development of SROs.

Prospective Lenders

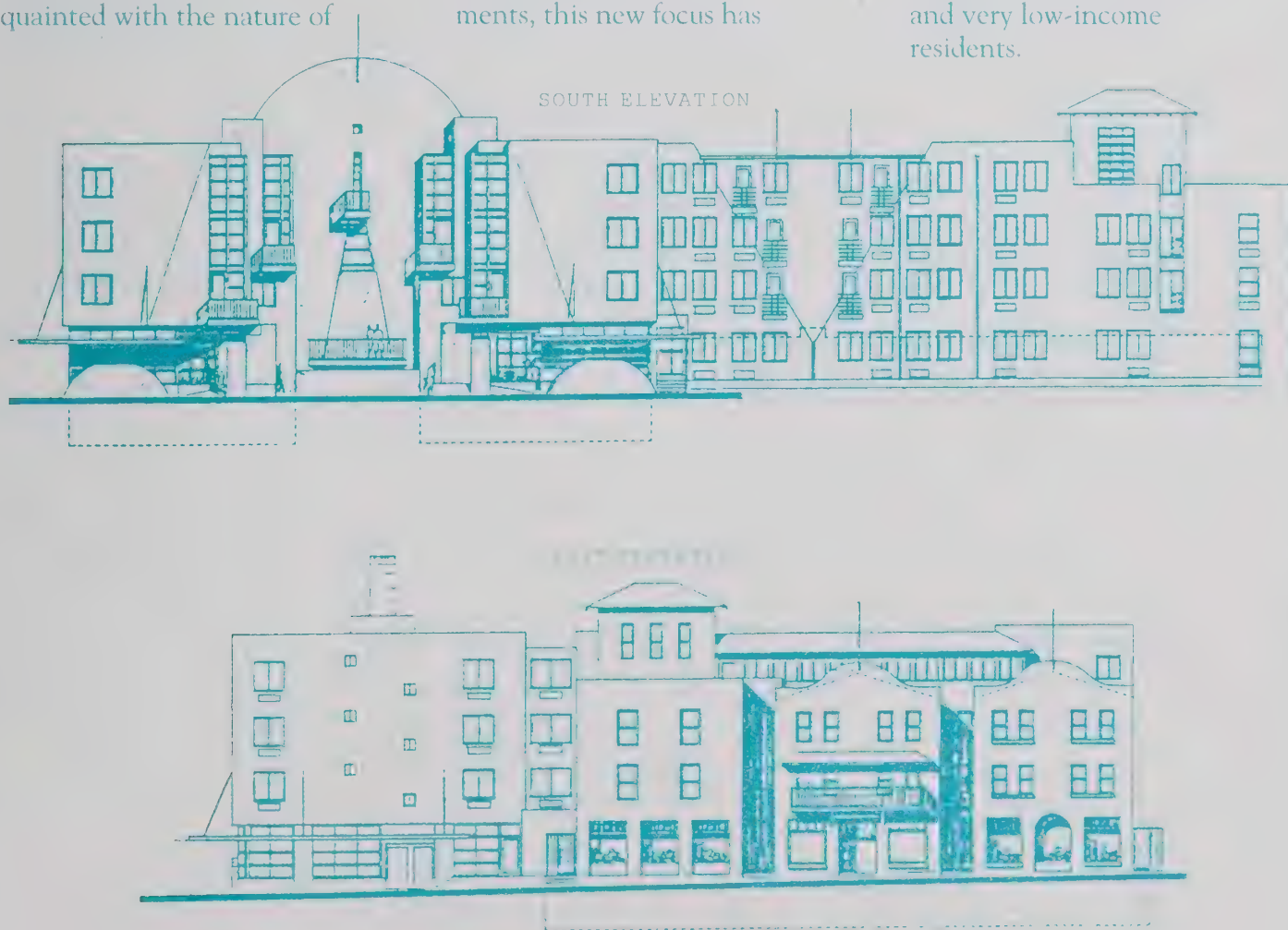
Traditional construction and mortgage lenders, i.e., banks, and savings and loan institutions, will probably serve as the major participants in financing SRO projects. Lenders already active in the Orange County real estate market, involved with local developers, should be approached as new projects are proposed. Additionally, lenders who have supported SRO projects in other communities, such as San Diego, may be willing to consider Orange County projects. Such lenders would offer the advantage of being acquainted with the nature of

SRO residential hotel projects and experienced in underwriting SRO loans.

Bank financing of SRO projects may be available as banks strive to meet the Community Reinvestment Act (CRA) requirements to provide some level of local financial support for community projects located near banking operations. Although such local financial support can be provided in a variety of ways, many banks have recently started focusing on specific methods of assisting affordable housing projects. In conjunction with increased scrutiny of banks for CRA commitments, this new focus has

created potential sources of bank financing which would be available to support SRO developments.

As an outgrowth of Community Reinvestment Act-oriented activities, several new lending entities have been established whose activities are limited to making loans for affordable housing projects, including SROs. For example, a consortium of California banks, known as the California Community Reinvestment Corporation, now offers favorable financing to projects with a substantial amount (at least 49 percent) of units affordable to low- and very low-income residents.



Harbor Place Inn - Rob Wellington Qulgley, A. I. A., San Diego, CA

There also are several new funding incentives and requirements being provided to lending institutions in order to support affordable housing efforts. These include the provisions of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), in which savings and loan institutions may access below-market-rate funds to lend to low-income housing projects.

It is worth noting that the San Diego SRO experience has shown that conventional lending practices do not treat SROs as rental housing projects for loan underwriting purposes. To date, lenders willing to finance SRO developments have provided no more than 60 percent of a project's total development costs. Developers that typically provide only 10-20 percent of equity for rental projects face a funding gap of up to 40 percent in SRO projects. Until SRO projects develop a track record of economic feasibility and credit-worthiness as reliable real estate investments, local government financing may be necessary and crucial to the development of SRO housing.

Rationale for Public Financial Participation

Public participation in SRO funding may serve several public purposes. Given the ability of SROs to expand the amount and type of affordable housing available throughout Orange County, such projects offer local jurisdictions a method to fulfill General Plan Housing Element goals in cooperation with the local housing development industry. Other public purposes served may include contributing to an improved jobs/housing balance throughout the county, and providing (through deed restrictions or other covenants) certain SRO units at rents affordable to targeted populations. In addition, California redevelopment agencies are required to expend a portion of their tax increment revenues on low- and moderate-income housing. Such agencies also face certain replacement housing requirements related to commercial revitalization projects. SROs may provide the means for certain redevelopment programs to meet these requirements.

Public sector involvement in the management and operation of SRO projects may serve to insure the long-term quality of these projects as a component of the affordable housing stock. Where public funds are used to support the creation of SROs, the contributing local jurisdiction will be motivated to protect

its investment by actively monitoring the maintenance of assisted SRO projects. While this objective is part of the SRO program even where public funds are not used, city or county financial support provides a straightforward rationale for a local jurisdiction's overseeing SRO project operations. The establishment and enforcement of specific management and maintenance standards for SROs will insure the long-term economic and physical viability of this type of affordable housing, and will protect against property deterioration and loan defaults.

A public role in SRO development may also make projects affordable or suitable for specifically targeted segments of the population. Public financing may be appropriate in those projects designed to serve special-needs groups, such as the mentally ill, disabled, frail elderly, veterans and homeless.

Indirect Public Participation

A local jurisdiction seeking to facilitate the development of SROs has available a variety of direct and indirect powers, resources, and techniques with which to accomplish this objective. The following discussion provides a summary of many of these methods. While some of these approaches may be adopted as SRO project policy, it is more likely that individual jurisdictions will want to examine the applicability of each method on a case-by-case basis.

There are several methods available to public agencies which can contribute to the financial feasibility of SRO development projects. Indirect public support is intended to accomplish cost reduction in the interest of both economic feasibility and increased affordability considerations, without direct financial participation on the part of a city, county, or redevelopment agency. Clearly, some of these indirect techniques do result in a reduction in local government revenues; however, they provide an effective method to further the public purpose of creating affordable SROs.

1. Modify requirements not precluded by public safety considerations in order to further an identified public purpose – Typical non-fee requirements that may affect the cost of new housing

include grading and landscaping requirements, historic site preservations, park/open space dedications, site development standards (set-backs and parking), building codes, and processing time. These requirements should be reviewed, and potential modifications or exceptions addressed in the code revisions necessary to permit SRO development.

2. Waiver of development fees – Development fees for new projects are assessed by local jurisdictions to address fiscal, social, environmental, and public facility needs. Following is a list of common fee requirements that should be reviewed for applicability to SRO projects. Where a fee does not appear to directly apply, or where the jurisdiction deems an exception may be warranted, the enabling ordinances may be reviewed and amended to allow fee waivers in exchange for provision of identified public benefits.

- **Environmental Review:** These fees are typically charged to cover processing costs to comply with the California Environmental Quality Act.
- **Planning:** Several processing fee schedules may apply, depending upon the property's General Plan status and zoning, and the need for planning/zoning amendments, tentative subdivision maps, and site plans.

- **Engineering/Subdivision:** Processing fees are charged for the review and finalization of subdivision requirements and improvements.

- **Capital Facility/Connection:** Fees may be levied to provide funding for off-site facilities, or capacity for arterial highways; fire stations; drainage facilities; sewer facilities; school buildings; etc. (Note: Some of these fees, such as sewer hook-up charges, come under the jurisdiction of an independent special district and, as such, could not be waived by a city or the county.)

- **Park Fees:** State law allows jurisdictions to charge fees or accept in-lieu dedications for park land and improvements. Generally, park fees are assessed on residential projects only.

3. Tax Abatements - State law provides that a low-income rental housing property owned in whole or in part by a nonprofit corporation, and at least partially financed by public funds, is eligible for a partial or full property tax exemption. This exemption provides a valuable ongoing savings in project operating costs. To the extent feasible and legal, county and city ordinance definitions of SRO housing projects should carefully identify such developments in a manner which would allow the County Assessor to apply the property tax exemption to a qualified project.

Another form of tax abatement that could be applied to SROs involves Transient Occupancy Tax (TOT) or bed tax. Many cities in Orange County charge Transient Occupancy Taxes (ranging from 6 to 10 percent) on revenue from room rentals less than 30 days in length. The imposition and amount of the tax is subject to local discretion. Clearly, the imposition of the TOT on SRO residential hotels impacts the affordability of the rental rates. A city could exempt SROs from this tax by passing a resolution or ordinance (depending on how the tax was established). This exemption would need to set out criteria defining SROs and the circumstances under which they would be exempted from such payment. As an alternative to exemption, a city should examine the potential use of TOT funds as a financial resource to support SRO developments.

4. Eminent Domain

The public power of eminent domain offers a fourth approach to indirect public participation. In certain instances, it may be appropriate for a public agency to use its powers of eminent domain to condemn property for the acquisition or development of SRO housing. The technique of "friendly condemnation" by a government agency affords certain tax benefits (capital gains exemptions) to the involved property owner(s). This

method can be used to effect more affordable site acquisition which contributes directly to the improved economic feasibility of a SRO development.

Direct Public Participation

A variety of federal, state and local government funding programs are available to support SRO projects. Each resource is subject to individual regulations and budget appropriations, which are subject to change. The following list identifies programs and administering agencies of various public resources. Depending on the type of SRO project (new construction, rehabilitation, etc.) under consideration, a local jurisdiction should investigate the current rules and availability of the following potential SRO funding sources.

Federal Programs

Five programs administered by the U.S. Department of Housing and Urban Development (HUD) may be considered:

1. Community Development Block Grants (CDBG): Under the CDBG program, grants and loans can be awarded to fund pre-development costs, site acquisition, off-site improvements and rehabilitation of existing housing. In general, funds may not be used for new construction of housing. Recent changes to federal regulations appear to make SROs eligible

for assistance if at least 20 percent of the units are affordable to low-income persons (i.e., those earning up to 80 percent of median income).

2. Stewart B. McKinney Homeless Assistance Program: Under this program, loans and grants are available for projects which demonstrate cooperative efforts between local jurisdictions and eligible nonprofit organizations.

3. Rental Rehabilitation: The HUD Rental Rehabilitation Program offers loans and grants through some jurisdictions for rehabilitation of existing rental units. Where a jurisdiction has received an allocation, funds can be approved for a specific project at any time during the year in an amount up to a 50/50 match for private investment funds. Loan maximums and occupancy objectives are subject to HUD policy. The rental rehab program can provide Section 8 certificates or housing vouchers for each unit rehabilitated. Non-displacement and relocation rules apply regarding existing tenants.

4. Section 8 Rental Assistance: Under the Section 8 program for SRO dwellings, public housing authorities can submit applications (during the appropriate application period, as established by HUD) for participation in the Section 8 Moderate Rehabilitation Program for SRO dwellings for home-

less individuals authorized under Title IV, Subtitle I of the McKinney Act.

5. **Mortgage Insurance:** HUD plans to implement a mortgage insurance program for SRO new construction and rehabilitation projects. The availability of federal mortgage insurance will encourage lenders to make SRO construction and development loans.

State Programs -

Several programs which may be used by local governments and developers to support SRO projects are administered at the state level by the California Department of Housing and Community Development. These include:

1. Rental Housing Construction Program
2. Rental Housing Rehabilitation Program
3. Urban Pre-development Loan Fund.

Funds are available for some of these programs as a result of the passage of statewide bond propositions. Future bond programs may expand these activities or create additional programs applicable to SRO financing.

Local Programs -

With respect to local programs, redevelopment agencies may provide several potential funding sources for SRO projects.

1. **Tax Increment:** Both regular tax increment and 20 percent housing set-aside funds may be used to create affordable housing. In fact, the California State Health and Safety Code requires that redevelopment agencies provide affordable low- to moderate-income housing in the following instances:

(a) Housing set-aside funds are to be expended to increase and improve the supply of low- and moderate-income housing in a community;

(b) Redevelopment agencies must replace low- and moderate-income housing that is destroyed as a result of a redevelopment project;

(c) Agencies must take steps to guarantee that a portion of all housing constructed in a redevelopment project area be affordable to low- and moderate-income persons and families.

These funds, as well as the powers of an agency, can be used in a variety of ways to make a particular project or program possible. The number of units which must be provided in each of these instances, the terms of affordability, and the income level of the group which must be served depend not only upon which requirement is being addressed, but when the redevelopment project area was established.

2. **Housing Authority Reserves:** Also at the local level, housing authorities may have sufficient excess administrative fees (operating reserves) to provide limited gap financing for SRO projects which include some or all units at rents affordable to low and very low income tenants.

3. **Linkage Fees:** Local jurisdictions may opt to require developers to pay mitigation fees (linkage fees) to offset the lack of affordable units within their new projects. These fees must be used to support low- and moderate-income housing elsewhere within their jurisdictions. Subject to a city's housing policies and objectives, SROs which meet affordability requirements would appear to be an eligible use of such funds.

4. **Housing Trust Fund:** If a locality has established a Housing Trust Fund, SROs also may be utilized to meet the Trust's objectives.

Public Financing Techniques

A public agency may provide financial support for SRO projects in a variety of ways, all of which are subject to the rules and regulations governing the specific funding source as well as local policies. There are four basic approaches to using public funds to assist a SRO development: leveraging, tax exempt revenue bonds, direct loans, and grants.

1. Leveraging - Leveraging involves using public resources to attract large amounts of private capital. For example, a city could commit funds to serve as a guarantee on a bank loan to a SRO developer, or use the same funds to write down (i.e., reduce) the interest rate on a conventional bank loan. These methods may facilitate a developer's ability to obtain bank financing otherwise not available or affordable to a SRO residential development project.

2. Tax Exempt Revenue Bonds - A city may be able to issue tax-exempt revenue bonds to support a SRO project sponsored by a nonprofit housing corporation.

3. Direct Loans - Direct loans made by a public agency could provide full or partial SRO project financing; loan rates, repayment terms, and project affordability conditions are negotiable. Loan payments to the agency can be accumulated and used

to assist additional SRO or other affordable housing developments.

4. Grants - Grants represent a one-time, nonrecoverable expenditure of public funds which could be used to achieve extremely low rents within a SRO project.

Public Investment Constraints

The following requirements apply to development projects involving public investment.

1. Article 34 - Article 34 of the California Constitution requires that a publicly financed SRO which has more than 49 percent of its units restricted to lower-income tenants may be subject to voter referendum approval. Many cities have existing Article 34 authority that would suffice if needed. As an alternative to meeting the Article 34 requirements, a public agency could play a smaller or modified role in assisting an SRO project.

2. Davis-Bacon - Davis-Bacon wage rate requirements apply to most federally funded construction projects. Under Davis-Bacon, all construction workers must be paid at least the U.S. Department of Labor's prevailing wage rate for the area. These requirements often result in higher development costs which may or may not be offset by the federal funding assistance provided.

3. Rules and Regulations - SRO projects supported by more than one public resource will have to comply with rules and regulations that apply to each source. In general, the most restrictive conditions (regarding terms and conditions of affordability, wage rates, etc.) will prevail.



WALL UNIT ELEVATION



FLOOR PLAN

Baltic Inn Room Plan

Summary

The investigation of SRO housing in communities throughout the United States has revealed that this housing product is just one component of a larger housing strategy. In these communities, SROs provide the first rung on the housing ladder; that is, the most affordable, safe, and decent housing product available. (An evaluation of Orange County's housing stock would inevitably reveal that this product is absent in most Orange County cities.) Single Room Occupancy housing also has been utilized by these communities to meet housing obligations either mandated by law, or dictated by social action objectives.

SROs have been recognized as a very cost effective means of meeting the housing needs of one segment of the very-low

income population of a community — single adults. However, affordable housing plans for the entire County need to recognize the needs of all segments of the very-low income population. For example, programs such as San Diego's "Living Unit" have been developed which incorporate the concepts, principles, and innovations of SRO housing into a product which provides housing for couples. Several other communities are experimenting with housing units for families, the elderly, and disabled. A recurring theme presents itself in all these programs— truly affordable housing opportunities for

very-low-income persons and households can be provided if jurisdictions reexamine codes and development standards.

This SRO Housing Development Guide has been written by land-use, housing, public safety, administrative, and elected officials from throughout Orange County for the purpose of assisting each city in the County with the evaluation of SRO proposals. Many of the security features, operation procedures, building and land-use considerations highlighted in this guide have already been implemented in various communities throughout the United States. The success of these programs provides evidence that well planned and managed SRO housing may be a viable housing product for Orange County cities which merits consideration.

Conclusion

Orange County faces a two-fold housing problem: a growing shortage of housing for the low income segment of the population and rising numbers of individuals and families. While SRO and similar units do not offer a total solution to this shortage of affordable housing for low income households, SRO development represents a significant step in addressing the housing problem while acting as a catalyst for development of other affordable housing products. Development of SRO's and similar projects provides an immediate, on-going source of housing in response to the Orange County housing crisis.

Affordable Housing Requirements Check List

SRO housing may be used to meet goals and objectives pursuant to government regulations. This check list should be used as a reminder to take credit for units produced or rehabilitated. For detailed discussion on each item, refer to the guide page number indicated.

	Yes	No	N.A.
Housing Assistance Plan (Page 8)	<input type="radio"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Housing Element Goals (Page 8)	<input type="radio"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Redevelopment Replacement Housing (Page 8)	<input type="radio"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Redevelopment Project Area Housing (Page 8)	<input type="radio"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Land Use Check List

ZONING (Page 9)

	Yes	No	N/A
SRO Zone Designation	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overlay District	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Conditional Use Permit	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
"By Right" Zoning	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

GENERAL PLAN (Page 10)

Land Use Element Modifications	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Housing Element Modifications	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

DENSITY (Page 10)

Units Per Acre	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Floor Area Ratio	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Units Per Square Foot of Development	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Prevailing Adjacent Land Use	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Land Use Check List should be used to review planning and design options for SRO projects, and to prompt full evaluation of land use issues. For detailed discussion on each item, refer to the guide page number indicated.

SITE SELECTION (Page 11)

	Yes	No	N/A
Proximity to Grocery Store	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Proximity to Retail Services	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Proximity to Food Services	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Proximity to Entertainment	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Proximity to Medical Services	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Proximity to Education Services	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Proximity to Government Services	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Proximity to Public Transit	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

PARKING (Page 11)

Parking Required	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
(Ratio)			
Motorcycle Parking	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bicycle Parking	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

ARCHITECTURAL DESIGN (Page 12)

☐ ☐ ☐

EXTERIOR COMMON AREAS (Page 12)

☐ ☐ ☐

MANAGEMENT
PLAN REQUIRED
STAFFING
(Page 15)

	Yes	No	N.A.
Type of On-Site Manager	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Type/Level of Support Staff	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Support Staff Job Classifications	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

FAIR
HOUSING PLAN
(Page 16)

Tenant Selection Procedure	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delineation of Tenant Rights	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Delineation of Residency Rules	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rental Rate Increase Policy	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Security Deposit Policy	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

Management and Security Check List

The Management and Security Check List will provide a list of elements (and options of such) which should be included in a SRO Management Plan. For a detailed discussion on each item, refer to the guide page number indicated.

INTERNAL SECURITY
(Page 17)

	Yes	No	N.A.
Ingress/Egress to Facility	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Guest Sign-In Process	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Front Desk Location with Eyes on the Street Required	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Security Video Cameras Required	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Unit Door Lock Options Key/Bolt	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Electronic Key Card	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

INTERNAL SECURITY
(continued)

	Yes	No	N.A.
Communal Bath Door Lock Options Key/Bolt	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Electronic Key Card	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Emergency Call Cord/Phone Required	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Front Door/Lobby View from Street Required	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
First Floor Inoperable Windows Required	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

VEHICLE SECURITY
(Page 18)

Parking Area Video Cameras Required	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Secured Bicycle Lock-Up Area Required	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

DEVELOPMENT STANDARDS

Unit Requirements (Page 20)

	Yes	No	N.A.
Unit Size	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Maximum Occupancy	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Kitchen Facilities	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Complete Kitchen	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Partial Kitchen	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Common Kitchen	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Common Toilet and Shower / Bathtub	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Private Enclosed Toilet / Shower	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Refrigerator / Microwave	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Pre -Telephone / TV Cable	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Closets	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Heating	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Building and Fire Check List

The Building and Fire Check List is provided to assist in the evaluation of building and fire code requirements and possible alternative equivalents. It is paramount for each locality to comprehend all state and local building and fire codes as they relate to SRO projects. It is similarly important that all equivalent alternatives considered insure the health and safety of not only the project residents, but the community as a whole. If any questions on code/alternative applicability arise, consult the local building official and/or the State Department of Housing and Community Development.

For a detailed discussion on each item, refer to the guide page number indicated.

Project Requirements (Page 21)

	Yes	No	N.A.
Handicapped Access	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Janitor Closet	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Laundry Facilities	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Common Indoor Space	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Manager's Unit	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Front Desk Design	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Supply Room	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

FIRE CODE STANDARDS (Page 22)

Fire Sprinkler System (Per N.F.P.A. Standard No. 13)	<input type="radio"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
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MAJOR COSTS REVIEW (Page 23)

	Yes	No	N/A
Land Acquisition	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
On-Site /Off-Site Improvements	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Direct Construction Costs	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Indirect Construction Costs	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mortgage /Debt Service	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Operations, Management, Reserves	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

DEVELOPER (Page 23)

For-Profit	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Non-Profit	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Partnership (Type _____)	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Government Agency	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

LENDERS (Page 25)

Bank	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Savings and Loan	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insurance Company	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Government Agency	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
CRA Requirements	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

INDIRECT PUBLIC ASSISTANCE (Page 27)

Modified Development Standards	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Finance Check List

The Finance Check List is provided to assist in the evaluation of SRO project financing options and also to prompt thought on how best to achieve a public purpose utilizing various finance tools. For a detailed discussion on each item, refer to the guide page number indicated.

	Yes	No	N/A
Fee Waiver	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Environmental Review	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Plan Processing	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Engineering	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Capital Facilities / Connection	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Park Fees	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tax Abatement Property Tax Abatement	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Transient Occupancy Tax	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Friendly Condemnation	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

DIRECT PUBLIC ASSISTANCE (Page 28)

Federal CDBG	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
McKinney Moderate Rehabilitation	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rental Rehabilitation	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Section 8 Rental Assistance	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mortgage Insurance	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
State Rental Housing Construction Loan	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Rental Housing Rehabilitation Loan	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Urban Pre-Development Loan	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Local Tax Increment	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Housing Authority Reserves	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Linkage Fees	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Housing Trust Fund	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
PUBLIC FINANCING TECHNIQUES (Page 30)			
Fund Leveraging	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tax Exempt Bonds	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Direct Loan Grant	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
PUBLIC INVESTMENT CONSTRAINTS (Page 30)			
Article 34	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Davis-Bacon	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>
Funding Program Regulations	<input type="radio"/>	<input type="checkbox"/>	<input type="checkbox"/>

Direct Costs

Off-Site \$ _____

On-Site/
Landscaping _____

Building
Shell _____

Furniture,
Fixtures
& Equipment _____

Parking
Surface
Parking
(Paving) _____

Structure
Parking
(Res. Only) _____

Structure
Parking
(Res. & Ret.) _____

TOTAL DIRECT COSTS \$ _____

Appendix A Sample Project Pro Forma

PAGE 1

Land Costs

Land
(Building
Site) \$ _____

Land
(Surface
Parking if Necessary) _____

TOTAL LAND COSTS \$ _____

TOTAL LAND COSTS _____

TOTAL DIRECT COSTS _____

TOTAL INDIRECT COSTS _____

TOTAL DEVELOPMENT COSTS \$ _____

Indirect Costs

Architecture & Engineering \$ _____

Permits
and Fees _____

Interest
During Construction _____

Land Carry _____

Parking
(Structure) _____

Building _____

NPV
Negative
Cash Flows _____

Financing
Fees _____

Leasing
(Retail) _____

Legal
/Closing _____

Taxes
/Insurance _____

Development
Management _____

Contingency _____

TOTAL INDIRECT COSTS \$ _____

Income

Retail Rent \$ _____

Residential Rent

Market A _____

Market B _____

Low A _____

Low B _____

Very
Low A _____

Very
Low B _____

Profit Center /
Laundry _____
/ Miscellaneous

(Less) (_____)
Manager's
Unit

Appendix A Sample Project Pro Forma

PAGE 2

GROSS \$ _____
INCOME

(Less (_____)
Vacancy
and
Bad Debt)

GROSS \$ _____
EFFECTIVE
INCOME

(Less) (_____)
Expenses
- Retail

(Less) (_____)
Expenses
- Residential
Variable

(Less) (_____)
Expenses
- Residential
Fixed

\$ _____

NET INCOME
BEFORE
DEBT SERVICE

Appendix A Sample Project Pro Forma

PAGE 3

Return on Total Investment

Net Income \$ _____
Before Debt
Service

Return on _____
Total Investment
(X%)

Total \$ _____
Warranted
Investment

Warranted _____
Investment
Before Tax

Federal _____
Tax Credits

State _____
Tax Credits

TOTAL \$ _____
WARRANTED
INVESTMENT
(Less)
Development
Costs

RESIDUAL
VALUE \$ _____
/(REQUIRED
ASSISTANCE)
AND
CARRYING
COSTS

RESIDUAL
VALUE \$ _____
/(REQUIRED
ASSISTANCE)

Value Upon Completion

Net Income
Before Debt
Service \$ _____

Capitalized
Value _____

Plus Federal
Tax Credits _____

Plus State
Tax Credits _____

(Less) (_____)
Development
Costs

(Less) (_____)
Cost of Sale

(Less) (_____)
Development
Profit

RESIDUAL
VALUE \$ _____
/(REQUIRED
ASSISTANCE)
AND
CARRYING
COSTS

RESIDUAL
VALUE \$ _____
/(REQUIRED
ASSISTANCE)

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Orange County
SRO Housing
Development Guide

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